

ROUTING

Top Secret

233

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NATIONAL INTELLIGENCE DAILY CABLE

Monday September 27, 1976

CI NIDC 76-227C



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NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

State Dept. review completed

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National Intelligence Daily Cable for Monday September 27, 1976

The NID Cable is for the purpose of informing senior US officials.

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LEBANON: Situation Report

25X1 [] Lebanese Prime Minister Rashid Karami and his cabinet submitted their resignations on Saturday--a constitutional formality--and were asked by President Sarkis to stay on until a new cabinet can be formed. Sarkis may be planning to form a government of technocrats not identified with any particular faction.

25X1 [] Following a meeting of Lebanese leftists on Saturday, leftist leader Kamal Jumblatt issued a statement emphasizing that the withdrawal of Palestinians and leftists from the Mount Lebanon area could take place only in the context of a "comprehensive political solution" that included the withdrawal of Syrian forces from Lebanon and the withdrawal of Christian troops from Muslim villages in the northern mountains.

25X1 [] In a remark clearly pointed at Palestine Liberation Organization chief Yasir Arafat, Jumblatt said that no one has the right to talk about withdrawal from Mount Lebanon--or to raise any other issue--without reference to the Lebanese left.

25X1 [] //The leftists' inflexible position will further handicap Arafat, already troubled by splits within the Palestinian command, in any resumption of talks with Sarkis and the Syrians. Two previous meetings ended in stalemate.//

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Although the Syrians might consider a token withdrawal in an effort to bolster Sarkis' negotiating position, they are unlikely to agree to any significant withdrawal merely to obtain a Palestinian pullback in the Mount Lebanon area.

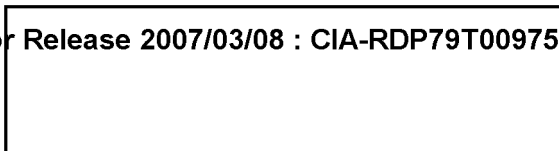
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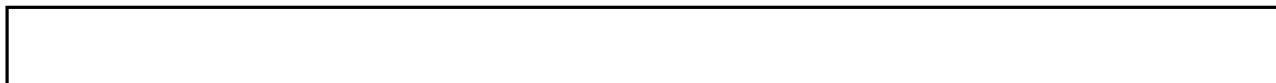
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[redacted] In his congratulatory cable to Sarkis, Sadat said "we are going ahead in our plans to convene a six-state conference," and stressed his view that Sarkis' attendance, as well as Yasir Arafat's, is "basic and indispensable."

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[redacted] Sadat is presumably figuring that his public pose of welcoming a summit will put the onus for any cancellation on Syria, and he may hope to present the Saudis with a fait accompli by inviting Sarkis himself.

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[redacted] Fighting in Lebanon was somewhat quieter than usual over the weekend, probably a reflection of the holiday ending the month-long Ramadan fast as well as of the Palestinians' unilateral cease-fire, which still seems to be partially in effect.



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RHODESIA: Development

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[redacted] The presidents of the five "front-line" African nations that support Rhodesia's black nationalists--Tanzania, Zambia, Botswana, Mozambique, and Angola--yesterday called on the UK to convene a constitutional conference outside Rhodesia to determine how the country will prepare for majority rule. They were responding to the proposals outlined by Rhodesian Prime Minister Smith.

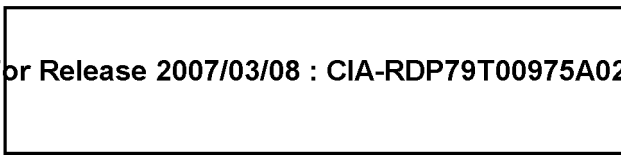
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[redacted] Speaking in Salisbury on Friday, Smith stated that his government had agreed to majority rule within two years and that he would meet with black Rhodesian leaders "as soon as possible" to discuss the formation of an interim government.

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[redacted] Although the five presidents and the Rhodesian nationalists did not exclude participation of white Rhodesians in a final settlement, they rejected the thrust of Smith's announcement that an interim government be established through direct negotiations with his government.

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25X1 [] //The announcement by the five presidents is a restatement of their long-standing position that any settlement must be presided over by the British and that a constitutional conference held outside Rhodesia must be the first step toward establishing majority rule. The announcement followed their weekend meeting in Lusaka, Zambia, with Rhodesian nationalist leader Joshua Nkomo.//

25X1 [] //British Foreign Secretary Crosland yesterday responded to the presidents' statement by agreeing to help organize "a meeting or conference to consider the structure and functioning of an interim government." A senior Foreign Ministry official is to leave for Africa within a few days to discuss with the front-line presidents arrangements for such a meeting.//

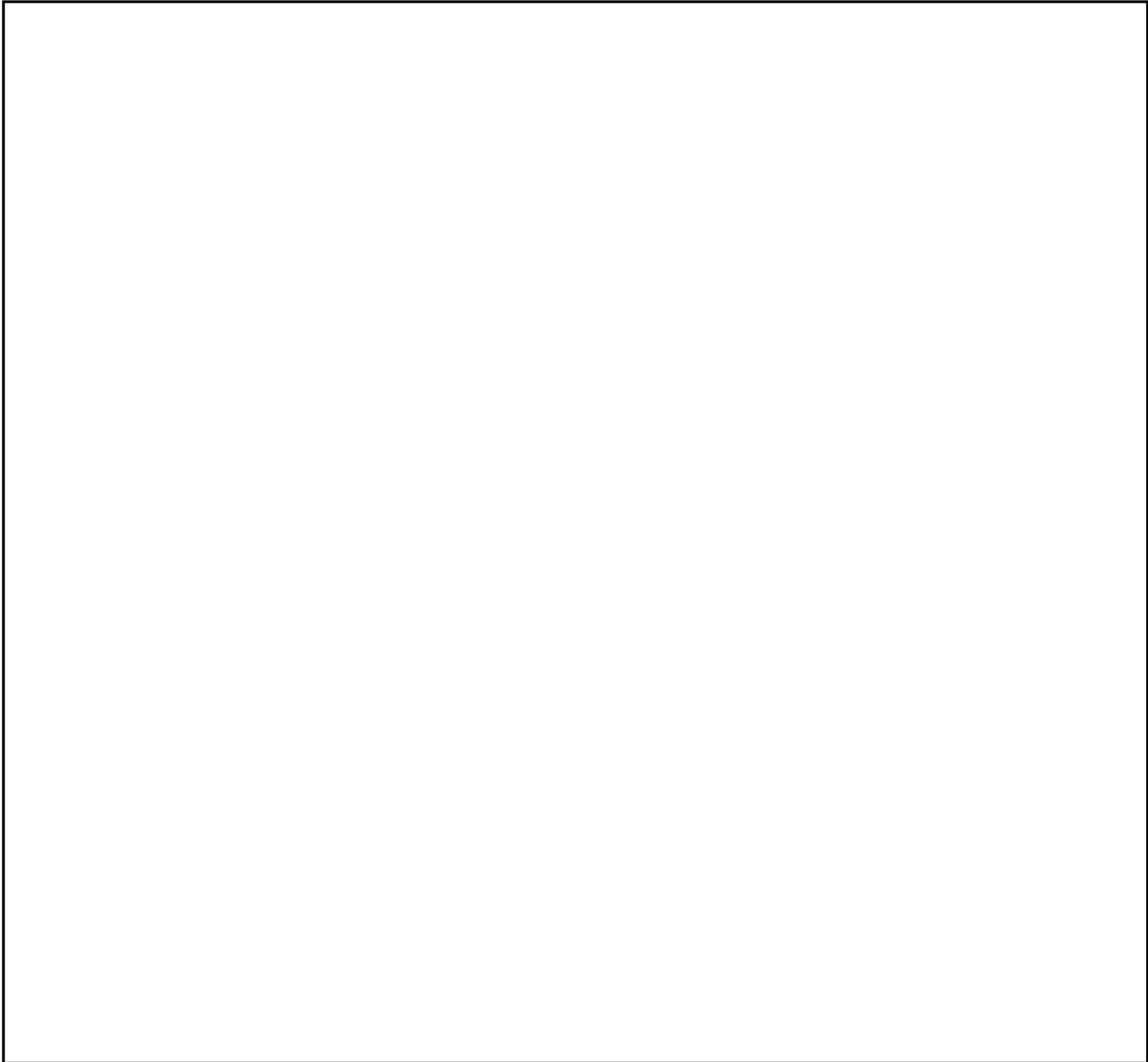
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FINLAND: New Government Possible

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[REDACTED] The political stalemate resulting from the resignation of Finland's prime minister last week may be ended as early as Wednesday with the creation of a three-party, centrist, minority government.

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[] Last week President Kekkonen addressed a letter to Social Democratic and Center Party parliamentary leaders in which he expressed a willingness to consider various solutions, including a Social Democratic minority government, a centrist minority coalition led by the Center Party, and a caretaker regime that he would appoint.

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[] The Social Democrats, reluctant to accept the bid, share a common constituency with the Communist Party and do not want to assume responsibility for unpopular economic decisions without associating the Communists with such measures.

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[] The Center Party has already approved Kekkonen's bid, and the smaller centrist parties--the Liberals and the Swedish Peoples Party--are expected to do so.

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[] The three-party coalition would control only 58 of the 200 seats in parliament and would depend heavily on the support of parties not represented in the coalition. The Conservatives, out of government for a decade because of presumed Soviet distrust, have reportedly told Kekkonen they would support the coalition on a case-by-case basis.

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[] Kekkonen may have decided to move quickly to end the impasse resulting from the resignation of the Miettunen government on September 17 in order to avoid a prolonged period of drift during which positions were likely to harden. In addition, municipal elections will be held next month, and there is speculation that Finnish moderate and conservative parties--like their counterparts in Sweden's elections two weeks ago--may gain at the expense of the parties on the left. []

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ISRAEL: Allon's Plan

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[] Israeli Foreign Minister Allon's article in the October issue of *Foreign Affairs*, setting forth his formula for an Arab-Israeli peace settlement, has drawn predictable condemnation from Israel's "hawks" and praise from its "doves."

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[] Defending the publication of the article, Allon has insisted that it represents his personal views, not government policy, and is intended to persuade "Israel's friends" both of the Israelis' willingness to make large territorial concessions and of their need for strategically "defensible borders."

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[] In a press interview last week, Allon said that he had tried to make three main points:

--Israel cannot return to the old 1967 borders.

--Israel should insist on borders that provide sufficient strategic depth to cope with potential invading Arab armies.

--Israel should oppose any attempt by the superpowers to impose a solution.

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[] Allon laid out in general terms what he thought such defensible frontiers should be. On the West Bank, he repeated the proposal he put forth in the plan he first unveiled in July 1967--that Israel return the populous Arab areas to a "Palestinian-Jordanian state" but retain control of a defensive line along the Jordan River.

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[] In the Sinai, Allon proposed keeping the Mediterranean port of El Arish, the strategic crossroads leading from the Sinai to Beersheba, and a land strip running from the Israeli port of Elat to the tip of the peninsula at Sharm Ash Shaykh, where the Israelis now have an important naval base. Part of the Gaza Strip, including the city of Gaza, could revert to Arab control as part of a Palestinian-Jordanian state.

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[] On the Golan Heights, Allon was less specific, but called for a defensive line that at minimum would allow Israel to protect its vital water resources and the Galilee region below the Heights. Jerusalem, Allon insisted, must remain united and under Israeli control.

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[] Israeli press reaction to the publication of the article has been mixed. *Haaretz*, Israel's largest independent daily, praised Allon for explaining the importance to Israel of secure borders. Other papers, however, have criticized the Foreign Minister for poor timing or have taken issue with his specific proposals for territorial concessions, insisting that he would give up too much or too little, depending on their own political leanings.

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[] The Labor Party's conservative, junior coalition partner, the National Religious Party, which favors retaining all of the West Bank, criticized Allon at the cabinet meeting on September 19 for publishing his article without government authorization.

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[] Menahem Begin, leader of the conservative Likud opposition, moved to demand Allon's resignation, but the motion was referred to the parliament's foreign affairs and security committee, where it is certain to die.

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[] Ironically, Labor Party dove Abba Eban, who has often proposed that Israel present its own plan for a political settlement, criticized Allon's article, calling it "unwise and untimely." Using much the same argument that Prime Minister Rabin has used in the past to turn aside suggestions that Israel present its own peace plan, the former foreign minister said the Allon proposals were "sufficiently severe as to make the Arabs recoil, yet sufficiently detailed" to create a "superfluous" debate within Israel on the territorial issue.

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[] The Prime Minister, who allegedly was not consulted by Allon before the article was published, has said nothing publicly but may well be secretly pleased. Certainly the stir that its publication has caused only buttresses his contention that Israel should not propose any specific plan for a political settlement, at least not publicly.

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MBFR: New Round Opens

25X1 [] //The tenth round of the Vienna force reduction talks opens this week. In the last round, the East for the first time provided data on its forces in central Europe and now is awaiting the West's response.//

25X1 [] //The figures presented by the East last summer were lower than NATO estimates and represent a challenge to the Western claim that a sizable disparity exists between Eastern and Western ground forces in central Europe. The NATO allies maintain that, because of this disparity there should be asymmetrical reductions leading to a common ceiling of about 700,000 for the ground forces of each side.//

25X1 [] //The West will not be able to present its figures in Vienna, because the French have insisted that their forces in West Germany must not be included in data available to the East, nor counted under the common ceiling. The allies may ask, instead, what criteria the East has employed in counting its forces.//

25X1 [] //Western observers believe, for example, that the East is including only combat forces in its totals--not all uniformed personnel, as the West does. By pointing out such discrepancies, the allies hope to buttress claims for asymmetrical reductions. In the last round, however, the East refused to respond to such questions until the West presented updated figures on its forces.//

25X1 [] //The decision to concentrate on rules for counting forces was made necessary by France's refusal to allow the allies to include data on French forces. Despite recent changes in the French cabinet, there have been no indications that Paris is willing to compromise on this issue.//

25X1 [] //The Belgians want to exclude French forces from the figures the West presents and believe the data discussion should begin in Vienna even if the debate among the allies over a common ceiling is unresolved. The British and the Dutch have indicated they could go along with such an approach.//

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25X1 [] //The West Germans, on the other hand, want to include French forces in the Western totals so that the concept of the common ceiling can be maintained. They have indicated some willingness to compromise on the data question, but insist that French forces must be included under the common ceiling.//

25X1 [] //Bonn is willing, however, to exclude France from any obligation that might arise as a result of the Vienna negotiations. Under Bonn's plan, the active NATO participants in the talks would agree to balance any changes in French force levels in West Germany with equal and opposite adjustments in their own force levels. []

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USSR: Supreme Soviet

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[] The USSR Supreme Soviet will meet in Moscow on October 27, according to an official announcement on Saturday. The main item on the agenda of the session will be final approval of the five-year plan (1976-1980), which was presented in draft form to the 25th party congress last spring.

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[] By protocol, Premier Kosygin should address the meeting and present the plan. The announcement of a date for the session suggests that his doctors have probably determined that he will be well enough to participate.

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[] Kosygin has not appeared in public since July 22 and is [] recuperating from a heart attack. General Secretary Brezhnev told former ambassador Averill Harri- man last week that Kosygin would be returning to work "in sev- eral weeks."

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[] The Supreme Soviet session is expected to be preceded by a meeting of the party Central Committee to put the party's stamp of approval on the five-year plan. A Central Committee plenum would also provide an opportunity to make changes in the top leadership.

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[REDACTED] One good possibility would be the promotion of Nikolay Tikhonov, who was recently appointed a first deputy premier, presumably to help lighten the workload of the ailing Kosygin. The appointment of Tikhonov to Politburo status would put him on a par with Kirill Mazurov, the other first deputy premier.

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[REDACTED] It is expected that Defense Minister Ustinov will be formally dropped from the Secretariat. He has not been identified with the Secretariat since he became defense minister last April. [REDACTED]

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PERU: Marcona Settlement

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[] The settlement in Peru of the year-old dispute over the nationalization of the US-owned Marcona iron ore facility buys Peru time to resolve its shaky financial situation.

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[] It will spur an early agreement on the \$350-million loan package that Peru has been negotiating for the past six months with private banks in Canada, Western Europe, Japan, and the US. Bankers had demanded as a precondition for the loan that the Marcona dispute be resolved. We now expect the loan agreement to be signed by mid-October.

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[] Receipt of the loan--needed to pay the settlement cost of \$37 million for the Marcona properties--will obviate the need to reschedule debt service payments this year, and will enable Peru to limit scheduled import cuts.

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[] The settlement will allow Peru to restore the Marcona facility to full production within two months, after which iron ore shipments should yield about \$120 million annually in export earnings. Production and exports were drastically cut after nationalization; Marcona had refused to relinquish export sale contracts, and Peru was unable to market its iron ore.

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[] With the benefits of rising exports of iron ore and copper as well as self-sufficiency in petroleum, Peru's current-account deficit should drop 50 percent in 1977 from this year's \$1 billion. Much of this decline will be a result of a sharp drop in Peru's petroleum import bill, which will be reduced from \$200 million this year to \$20 million in 1977 as Amazon oil projects and the Trans-Andean pipeline are completed.

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[] Next year, we expect Peru's gross national product to increase slightly, and rising supplies of imported and domestic goods should cause inflation to fall. []

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